

THE ANSUL COMPANY 1965 ANNUAL REPORT

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An effective annual report we believe, should do more than present the record of a company's financial performance. Hopefully it tells the story behind the figures and provides the interested shareholder with a complete—though of necessity, tightly drawn—picture of the corporation, its origins, its products, its people and its philosophy. With this objective in mind we have prepared this 1965 Ansul Annual Report in 4 sections:

I. What we did in 1965. Our financial performance: Operating Highlights, Consolidated Balance Sheet, Profit and Loss Statement.

II. What we are. A brief history of The Ansul Company, a review of our products and markets . . . and an up-to-date report on the significant developments of 1965.

III. Why, Where and How. Comments by Ansul President Robert C. Hood on our corporate principles and objectives, on the manner in which we have approached the management task, and on our hopes and directions for the future.

IV. Who. The people who are operating and leading your company.

The illustrations appearing in this report are reproductions of four original oil paintings executed by Wisconsin artist Leon Travanty. They were commissioned especially for the 1965 report and are now part of the permanent Ansul collection. The collection, which will be housed and exhibited in Ansul's new management center, includes works from a number of past Ansul Annual Reports. Represented are woodcut artist Antonio Frasconi, photographers Joe Clark and Bruce Davidson, designers Chad Taylor and Walter Kacik and pen and ink artist Franklin McMahon.

The four paintings in this report reflect the artist's impressions of management, international operations, fire protection products and agricultural chemical marketing—four areas and aspects of the company which made significant contributions to Ansul's 1965 performance.

Operating Highlights

	1965	1964
ANSUL HAS:		
Realized from sales	\$22,455,732	\$18,717,278
Earned for shareholders	\$ 1,217,678	\$ 873,217
Earned per share of stock*	\$ 2.01	\$ 1.46
Shares outstanding at close of fiscal year**	612,603	602,870
Paid to shareholders	\$ 433,991	\$ 276,557
Paid shareholders per share of stock	\$.71	\$.46
Retained for use in business	\$ 783,687	\$ 596,660
Net worth	\$ 9,078,091	\$ 8,193,648
Net worth per share	\$ 14.82	\$ 13.59
Working capital	\$ 6,267,640	\$ 6,024,625
Paid for state, federal and foreign income taxes	\$ 1,018,657	\$ 917,872
Income taxes paid per share of stock*	\$ 1.68	\$ 1.54
Income taxes paid per employee	\$ 1,028	\$ 963
Provided for depreciation and amortization	\$ 538,528	\$ 465,643
Spent for additions to property, land and equipment	\$ 1,250,543	\$ 565,898
Employees at close of fiscal year	991	953
Shareholders at close of fiscal year	1,291	1,038

* Computed on weighted average of shares outstanding adjusted for a 5% stock dividend in 1964 and a 3 for 2 split and 10% stock dividend in 1965.

**1964 shares outstanding adjusted for 3 for 2 split and 10% stock dividend in 1965.



The Ansul Company Consolidated Balance Sheet

Assets

CURRENT ASSETS:

Cash	\$ 752,868
Receivables	3,982,267
Inventories	4,791,235
Prepaid Expenses	216,385

TOTAL CURRENT ASSETS	\$ 9,742,755
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PLANT ASSETS:

Cost of Property, Plant and Equipment	\$ 7,763,495
Less accumulated depreciation	4,123,520

NET PLANT ASSETS	\$ 3,639,975
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OTHER ASSETS:

Construction in progress	\$ 53,867
Investment in affiliates	667,418
Cash value of life insurance	14,771
Excess cost over book value of division and consolidated subsidiaries	1,499,825
Miscellaneous	33,707

TOTAL OTHER ASSETS	\$ 2,269,588
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TOTAL ASSETS	\$15,652,318
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NOTE 1. All majority owned subsidiaries have been included in the consolidated financial statements except one subsidiary which is located in a country where there are currency restrictions. Investment in this subsidiary is carried at \$161,820. Investment in affiliates also includes \$500,000 representing fifty percent of Ancon Chemical Corporation, Lake Charles, Louisiana. This company is owned jointly with Continental Oil Company. Investment in these two companies is carried at cost and none of their earnings are included in the consolidated statement of earnings.

NOTE 2. The sales agency agreement for the marketing of Ucon brand refrigerants was terminated effective July 1, 1965. The Company received commissions, before reduction for direct selling expenses and allocable overhead of \$651,929 and \$726,886 in the fiscal years 1964 and 1965, respectively. In consideration of the early termination of the sales agency agreement, Union Carbide Corporation paid the Company \$400,000, which is included in the fiscal 1965 commissions. Union Carbide has agreed to pay the Company six semi-annual payments of \$100,000 each in consideration of the Company's agreement not to engage in the manufacture or marketing of fluorocarbon refrigerants for three years beginning July 1, 1965. The Company received the first payment on July 1, 1965 and is recognizing these semi-annual payments in equal monthly installments over the three year period. In addition, the Company has agreed to serve as a consultant to Union Carbide during this period and will be compensated therefore on a per diem basis.

NOTE 3. The investment credit of \$15,249 and \$41,160 for the years ended September 30, 1964 and 1965, respectively, applicable to qualified property additions has been included in the statement of earnings as a reduction of the provision for federal income taxes.

Retained earnings include \$870,223 of earnings of foreign subsidiaries which will be subject to federal and Wisconsin income taxes when and if paid to the parent company as dividends.

Liabilities and Net Worth

CURRENT LIABILITIES:

Current installments of long term debt	\$ 186,000
Accounts payable and accruals	2,212,618
Deposit liability, cylinders and drums	173,198
Accrued taxes	903,299

TOTAL CURRENT LIABILITIES

\$ 3,475,115

LONG TERM LIABILITIES:

Installment notes payable	3,073,000
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TOTAL LIABILITIES

\$ 6,548,115

MINORITY INTEREST

26,112

NET WORTH:

Capital stock authorized 1,000,000 shares at \$1 per share	\$ 1,000,000
Unissued shares	387,397
Issued and outstanding (612,603 shares)	612,603
Capital surplus	4,002,566
Retained earnings	4,462,922

TOTAL NET WORTH

\$ 9,078,091

TOTAL LIABILITIES AND NET WORTH

\$15,652,318

NOTE 4. The long term debt of the Company and its subsidiaries at September 30, 1965 was as follows:

5% Bank loan payable in quarter-annual installments of \$25,000 from November 1, 1965 through May 1, 1970	\$475,000
5% Bank loan payable in quarter-annual installments of \$15,500 from December 1, 1965 through June 1, 1968 and \$17,500 on September 1, 1968	188,000
5.82% Loan from insurance company, payable in quarter-annual installments of \$50,000 from August 1, 1970 through May 1, 1975 and \$62,500 from August 1, 1975 through May 1, 1981	2,500,000
5.75% Foreign loan, payable in annual installments of \$24,000 through 1969	96,000
TOTAL	3,259,000
Less:	
Installments due within one year, included in current liabilities	186,000
Long-Term Indebtedness as at September 30, 1965	<u>\$3,073,000</u>

Under the most restrictive covenant of the loan agreements, \$498,416 of retained earnings is available for dividends on common stock.

NOTE 5. Of the 1,000,000 authorized shares of common stock, 77,135 shares have been appropriated by the Board of Directors to the Ansul Key Management Restricted Option Plan. Options have been granted on 76,456 shares and have been exercised on 65,223 shares. There have been no charges or credits to earnings in connection with the exercise of stock options.

NOTE 6. Common stock issued includes shares issued as a 10% stock dividend, declared on September 24, 1965 and payable on November 23, 1965.

The Ansul Company Consolidated Statement of Earnings

	1965	1964
NET SALES OF PRODUCTS	\$22,455,732	\$18,717,278
Costs and Expenses:		
Costs of products sold	\$11,947,992	\$ 9,686,298
Research and development	575,389	660,763
Selling, administrative and general	7,669,439	6,519,282
Total Costs and Expenses	\$20,192,820	\$16,866,343
Net Earnings Before Income Taxes	\$ 2,262,912	\$ 1,850,935
Federal, State and Foreign Taxes	1,018,657	917,872
Net Earnings Before Minority Interest	\$ 1,244,255	\$ 933,063
Minority Interest	26,577	59,846
NET EARNINGS	\$ 1,217,678	\$ 873,217
Depreciation included in costs and expenses	\$ 538,528	\$ 465,643
Net earnings of foreign subsidiaries included above	\$ 265,497	\$ 211,027

AUDITOR'S STATEMENT. We have examined the consolidated balance sheet of The Ansul Company and its subsidiaries as of September 30, 1965, and the related consolidated statements of earnings and retained earnings for the fiscal year then ended. Our examination was made in accordance with generally accepted auditing standards and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances. Financial statements of the foreign subsidiaries were examined by other independent public accountants and we were provided with copies of their reports.

In our opinion, based on our examination and on the reports of other independent public accountants, the accompanying consolidated balance sheet and related consolidated statements of earnings and retained earnings, present fairly the financial position of The Ansul Company and its subsidiaries at September 30, 1965, and the results of their operations for the fiscal year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

SCHULDES, BURNS, ALK AND DENIS
Certified Public Accountants

Five Year Financial Statement

1961-1965

ASSETS	September 30			October 31	
	1965	1964	1963	1962	1961
CURRENT ASSETS					
Cash	\$ 752,868	\$ 1,111,963	\$ 702,516	\$ 535,900	\$ 957,322
Receivables	3,982,267	4,480,124	4,010,712	3,015,259	2,737,291
Inventories	4,791,235	3,936,068	3,712,394	2,905,863	2,076,421
Prepaid expenses	216,385	202,689	222,808	162,884	160,075
TOTAL CURRENT ASSETS	\$ 9,742,755	\$ 9,730,844	\$ 8,648,430	\$ 6,619,906	\$5,931,109
Plant Assets, Net	3,639,975	3,000,217	2,914,137	2,713,591	2,467,304
Investment in affiliates	667,418	679,820	687,931	1,466,822	74,000
Construction in progress	53,867	100,896	24,317	46,187	78,300
Cash value of life insurance	14,771	13,636	12,539	11,480	10,440
Excess cost of acquisitions	1,499,825	1,250,380	1,267,928	352,386	389,223
Other assets	33,707	37,591	33,098	38,169	25,507
TOTAL ASSETS	\$15,652,318	\$14,813,384	\$13,588,380	\$11,248,541	\$8,975,883
LIABILITIES AND NET WORTH					
CURRENT LIABILITIES:					
Notes payable	\$ 186,000	\$ 186,000	\$ 159,444	\$ 1,027,650	\$ 556,650
Accounts payable and Accrued expenses	2,212,618	2,462,923	2,490,544	1,608,966	1,288,164
Deposit liability—Cylinders and Drums	173,198	171,071	167,606	204,314	235,595
Accrued taxes	903,299	886,225	443,487	721,716	459,171
TOTAL CURRENT LIABILITIES	\$ 3,475,115	\$ 3,706,219	\$ 3,261,081	\$ 3,562,646	\$2,539,580
Long term notes payable	3,073,000	2,584,000	2,520,000	1,120,000	660,000
Minority interests	26,112	329,517	269,671	13,267	19,010
TOTAL LIABILITIES	\$ 6,574,227	\$ 6,619,736	\$ 6,050,752	\$ 4,695,913	\$3,218,590
NET WORTH					
Capital stock	\$ 612,603	\$ 366,426	\$ 345,400	\$ 301,793	\$ 279,786
Capital surplus	4,002,566	2,563,907	2,117,442	1,349,369	857,340
Retained earnings	4,462,922	5,287,977	5,101,463	4,915,869	4,620,167
Treasury stock	0	(24,662)	(26,677)	(14,403)	0
TOTAL NET WORTH	\$ 9,078,091	\$ 8,193,648	\$ 7,537,628	\$ 6,552,628	\$5,757,293
TOTAL LIABILITIES AND NET WORTH	\$15,652,318	\$14,813,384	\$13,588,380	\$11,248,541	\$8,975,883

Financial and operating figures for 1961 and 1962 include the accounts of Mason Electric Corporation, which was acquired in 1963 through a statutory merger and was accounted for as a combination purchase and pooling of interest.

THE ANSUL COMPANY AND SUBSIDIARIES SUMMARY OF EARNINGS 1961-1965

Fiscal Year	Net Sales	Net Income	Cash Dividends Paid	Reinvested in Business	*Earnings Per Share	*Dividends Paid per Share	*Income Taxes Paid Per Share	% of Net Earnings Distributed	Retained Earnings
1965	22,455,732	1,217,678	433,991	783,687	2.01	0.71	1.68	35.6	4,462,922
1964	18,717,278	873,217	276,557	596,660	1.46	0.46	1.54	31.7	5,287,977
1963 (eleven months)	14,628,666	432,358	246,764	185,594	0.79	0.45	0.84	57.1	5,101,463
1962	13,542,651	641,276	206,574	434,702	1.26	0.41	1.17	32.2	4,915,869
1961	11,678,271	460,900	179,475	281,425	0.93	0.36	0.86	38.9	4,620,167

*Computed on weighted average of shares outstanding during the period adjusted for 3 for 2 stock splits in 1961 and 1965, stock dividends of 2%, 5%, and 10% in 1962, 1964 and 1965, respectively, and 23,312 shares issued to the stockholders of Mason Electric Corporation in 1963.



The Ansul Story . . . Yesterday and Today

This is the history of The Ansul Company, with a commentary on the significant developments of this past year by President Robert C. Hood. Mr. Hood's comments appear in the text in color.

The Ansul Company celebrated its 50th anniversary in 1965. We marked the event with an "open house" party for more than 5,000 of our friends and neighbors in our hometowns of Marinette, Wisconsin and Menominee, Michigan.

Fifty year old companies are certainly not unusual; yet Ansul was able to look back over the past half century with a good deal of pride . . . and look ahead to the future with confidence and enthusiasm. Founded in 1915 (as The Ansul Chemical Company) we started with one modest building, seven employees and one product—liquid sulfur dioxide. Today we have five product divisions marketing industrial and agricultural chemicals, fire protection equipment, refrigeration and air conditioning products, electrical and electronic switches and switching systems, and fabricated metal products. We have more than 1,000 employees and manufacturing facilities in Marinette, Wisconsin; Los Angeles, California; Lake Charles, La.; Mexico City; Caracas, Venezuela; Oakbrook, Canada; Brussels, Belgium; and Naarden, Netherlands. There are Ansul sales offices in every principal U.S. city and in 71 foreign countries.

In relation to its size, Ansul is highly diversified . . . and perhaps the best way to tell the Ansul story is to look at its separate product divisions:

Refrigeration and Air Conditioning Products

Sulfur dioxide, our first and only product in 1915, was originally sold to laboratories, dye works, fruit preservers and chemical processors. However, this was the dawn of the mechanical refrigeration era and SO₂ quickly achieved great popularity as a refrigerant. From 1915 through 1938 Ansul was exclusively in the refrigerant business. In 1936 a plant was built to manufacture methyl chloride, another refrigerant . . . and in 1938 Ansul became a national distributor for DuPont's new "Freon" refrigerants. In 1959 Ansul severed this 20 year relationship with "Freon" to become exclusive national distributors to the replacement market for "Ucon" brand refrigerants manufactured by Union Carbide.

However, as far back as the late 40's it became evident that Ansul's long range objectives in the refrigeration market would best be met by developing new products which the company could both manufacture and market. Refrigerants did not meet these requirements. Sulfur dioxide and methyl chloride had been displaced in the refrigerant market by the fluorinated refrigerants such as "Freon" and "Ucon." Ansul did not manufacture these products—we only marketed them.

Therefore in 1965 we terminated our agreement with Union Carbide covering the marketing of "Ucon." Our withdrawal from the refrigerant market was reached amicably and the settlement worked out with Carbide was highly satisfactory to Ansul. This left us free to concentrate on our own developed and produced products in the field of components and systems.

The need for diversification which became apparent in the 40's led to the introduction of Ansul Oil in 1949 . . . and then in quick succession a line of refrigeration driers, moisture indicators and a number of other system components.

1965 was a year of transition for the refrigeration division, as we re-oriented our organization and our objectives toward a new area of activity. Our "System Boss" Suction Line Filter, developed in 1964, and our Suction Line Filter Drier introduced this year, are key products in a complex of components aimed at meeting the need for "system sanitation." Ansul has identified the protection

of refrigeration and air conditioning systems as a promising field of endeavor . . . and our product development efforts, marketing and manufacturing are being geared accordingly.

PRODUCTS:

"System Boss" hi-side driers; lo-side filters and filter driers
"T-Flo" hi-side driers and T connectors
"Dry-Eye" moisture indicators
Drier manifolds and receiver driers
Ansul refrigeration oil

MARKETS:

Ansul refrigeration products are sold through refrigeration wholesalers to the replacement market . . . and directly to manufacturers for installation on original equipment. Major applications are in commercial and industrial refrigeration and in commercial, industrial, institutional and automotive air conditioning.

Fire Protection Products

The Ansul name is well-known in American industry, primarily because of our fire protection equipment. In 1939, in a move toward diversification, Ansul acquired the DuGas Engineering Company of Chicago. This company had pioneered dry chemical in the United States. Although dry chemical had been used as a fire extinguishing agent in Germany as far back as 1890, it was still, in 1939, a relatively little known and lightly regarded agent. Ansul launched an intensive research and development program to improve the chemical agent and the extinguishers in which it was used. The result was the introduction of a new line of extinguishers and creation of a highly effective new extinguishing "system" in the early 40's. Ansul products and the Ansul service concept were enthusiastically received in the industrial market, and in the years since then our company has achieved a dominant position in the fire protection field. Ansul produces a broad line of equipment from small hand portable units through large fixed systems and mobile equipment. Hand in hand with product improvement went a dedicated attitude toward complete fire protection services for customers. These took the form of plant hazard surveys, and a wide range of training programs. Typical is the Ansul Fire School, where customers undergo intensive training in advanced fire fighting techniques and in the science of fire protection. Conducted during the summer months on our 20 acre test field in Marinette, Ansul Fire Schools have graduated more than 5,000 key fire protection and safety people from every field of industry and from most of the countries of the free world.

Ansul maintains sales offices in the principal cities of the United States backed by a network of more than 300 dealers and distributors.

Indicative of Ansul's strong position in the fire protection market is the fact that more than 300 of America's 500 largest industrial firms rely on Ansul for basic protection.

In 1965 Ansul placed major emphasis on the development of new fire extinguishing agents to protect the unique hazards created by new industrial processes.

Significant progress in the control of large flammable liquid fires was made through joint research and product development with the 3M Company. This effort focused on the application of "Light Water," a radically different type of agent, in conjunction with Ansul's Purple-K dry chemical. There was also encouraging progress made in the development of new fire protection "systems." The relentless march of technology holds important implications for the science of fire protection. New automated manufacturing processes require automated fire protection, because often the hazards are more critical and there are fewer people available to fight the fires which may occur. One of the highlights of '65 was the widespread acceptance of Ansul's R-101 system—a small automatic system designed for the protection of restaurant hoods and ducts.

Fire protection product sales showed a healthy growth in 1965 with a 13% increase over the previous year.

PRODUCTS:

Hand portable extinguishers—(dry chemical, carbon dioxide and water—2 lb. to 30 lb. capacity)

Wheeled extinguishers

Automatic dry chemical systems—(30 lb. to 4,000 lb.)

Special equipment—150 to 2,000 lb. stationary units; fire trucks, trailers and mobile equipment; "Hydroshield" water sprayer; 80 to 400 gal. molded fiberglass tanks.

Fire extinguishing agents

MARKETS:

Ansul fire protection equipment is widely used throughout industry—wherever critical fire hazards exist. Among the most important markets are: petroleum, chemical, transportation, metal and metal fabricating, electric utilities, textile, rubber, and paper. Ansul products are widely used by municipal, state and federal government agencies, municipal fire departments and all branches of the military. Promising new markets are building construction, volume feeding . . . and the consumer market.

Chemical Products

Ansul's fastest growing division started modestly in 1939. Sulfur dioxide and methyl chloride have uses other than as refrigerants—they are basic bulk chemicals utilized in many industrial processes. The division was organized to tap those markets. Methyl chloride has been an especially good product through the years and in 1961 a modern new methyl chloride plant was built in Lake Charles, La. The plant is actually owned by the Ancon Chemical Company, a joint venture of Ansul and the Continental Oil Company. It is operated by Ansul and the product is marketed through our sales force.

In recent years Ansul's greatest growth has come in the field of agricultural chemicals. In the middle 50's considerable research and development work was done on fine organic chemicals and arsenicals. This led to the introduction of "Ansar" herbicides—a line of highly effective weed killing chemicals applicable in both crop and non-crop markets.

In 1965 chemical products sales showed a spectacular 50% increase over 1964. This was due primarily to growth in sales of "Ansar" herbicides. "Ansar" is becoming a well-known brand name in the agricultural field—especially in the cotton industry. Next year "Ansar" will be joined by several companion lines of herbicides; and the future looks exceptionally bright. In 1965, methyl chloride also contributed substantially to our sales growth. Increased sales meant higher volume through the plant and considerably greater manufacturing efficiency.

We expect the momentum to continue and look for chemical products to show an exciting growth in the year ahead.

PRODUCTS:

Industrial Chemicals —

Sulfur Dioxide
Methyl Chloride
Glycol Dimethyl Ethers
Hydroquinone Ethers
Ortho-Anisaldehyde
Pyrrolidine
ICA Di-n-Propyl Ester
Tetramethyl Ammonium Chloride

Agricultural Chemicals —

"Phytar 138" Cacodylic Acid
"Ansar 157" Ammonium Methylarsonate
"Phytar 160" Cacodylic Acid
"Ansar 170" Monosodium Methanearsonic Acid
"Ansar 184" Disodium Methylarsonate
"Ansar 290D" (liquid formulation) Arsonate Compound
combined with 2,4D
"Ansar 529" Monosodium Methanearsonic Acid
with surfactant
"Phytar 560" Cacodylic Acid with surfactant
"Silvisar 510" tree killer

MARKETS:

Ansul industrial chemical products find a wide range of application in the general chemical field. "Ansar" agricultural chemicals are used as herbicides in cotton, lawn and turf and in non-crop areas such as highway and railroad right-of-way weed control.



In 1963 Ansul acquired the Mason Electric Company, manufacturers of electrical switches. Most of Mason's activities have been related to government programs. The products are custom designed to meet the highly critical needs of customers who include many of America's largest aircraft and aerospace manufacturers.

The process of integrating Mason into Ansul, building an organization and finding the proper direction in the market has been a slow one.

In 1965 sales were not as high as we had hoped they would be. A good deal of the building job has been done—a good deal remains to be accomplished. However, long-range prospects are excellent . . . and we expect our 1966 performance to begin to reflect this.

PRODUCTS:*Government—*

Switches—rotary (manual, motor and solenoid operated), pilot, flight control, power transfer and impact

Control stick grips

Custom switching devices and compact switching systems

Industrial—

Control switches and switching systems

MARKETS:

Major markets for Mason are in aircraft, tactical weapons, missile and aerospace programs, hydrospace (oceanography) and industrial controls.

The Fabrication Division was organized early in 1965 and is basically a metal manufacturing operation. The division performs a number of basic metal fabrication functions for our Fire Protection and Refrigeration and Air Conditioning Products Divisions. In addition, various products and services are marketed outside of Ansul.

The first year of operation was successful. Manufacturing facilities were increased and cost reductions effected in many instances. Next year, an ambitious building program will be underway to further increase capacity and improve efficiency.

PRODUCTS:

Pressure cylinders, proportioning devices, closures

SERVICES:

Spinning, furnace brazing, forging, machining, tube forming, assembly, inspection, injection molding, die casting, painting, filling and packaging.

MARKETS:

Ansul manufacturing, assemblers and fillers of tear gas equipment, pressure cylinder manufacturers, proportioner device manufacturers, fiber glass manufacturers, metal fabricators, rubber container manufacturers.

Today Ansul is a truly international company. Through the Ansul International Corporation, S. A. company products are manufactured in six different countries and marketed in more than 70 foreign nations.

Ansul products have been sold in foreign markets since 1934, but it was not until 1955 that we became actively engaged in international marketing. In that year Ansul Chemical Company of Venezuela was formed. At present we have manufacturing and assembly plants in Mexico, Canada, Venezuela, Belgium and Holland in addition to the United States. Ansul fire extinguishing equipment accounts for the largest share of international sales, although in some countries products of other divisions and other unaffiliated companies are marketed. Among these products are chemicals, alarms and water softening equipment.

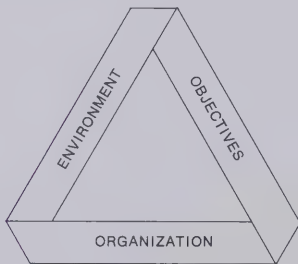
1965 was a good year for our international operations. Sales increased 14% over 1964 and profits were up 22%. Manufacturing facilities in all of our overseas plants were improved and there was excellent progress in building our organization and developing our people. Early in 1965 we held our first international marketing seminar with the objective of improving our marketing know-how and skills. During this past year major emphasis was placed on the development of a new line of fire extinguishers for the European market. Although there is still considerable work to be done, we expect this effort to produce substantial results in the years ahead.

Ansul did very well in 1965. Sales and profit figures for the year are in the opinion of management a reflection of careful planning, excellent forecasts and projections and thoughtful evaluation throughout the year.

Looking ahead, 1966 should see continued company growth. Experience is a good teacher and we think our 1966 plan is the best we have ever had. There will be emphasis next year on building our organization. We have a greater need for people—good people—than ever before, and finding them will be a challenge. New product development activities will be stepped up in the year ahead. There will certainly continue to be emphasis on marketing . . . and here we have created a momentum that will be a significant and positive factor. We also have ambitious building plans. An addition to our fabrication division plant at Marinette is presently being completed. A major warehouse addition will be provided for our Fire Protection Products division, and the dry chemical production facilities will be increased. Additional test facilities will be added at our Fire Test Field. In the summer of '66 work will start on the construction of a new Decision Making Center at our 350 acre site on Pierce Avenue in Marinette. This building will be the headquarters of our expanding multi-national company, housing top corporate officers, functional area heads and financial and marketing staffs. Joining these officers and their staffs will be a new computer to blend together the essential personnel and equipment for an effective corporate information and decision making center.

We look back on 1965 with some pride, because it was a good year. More important, though, we look ahead to 1966 and the years beyond that with confidence and enthusiasm.

3 inter-related factors constitute the framework within which every company operates:



3 basic inter-related activities determine success or failure:



3 criteria provide us with the means of evaluating performance:

RETURN ON INVESTMENT
GROWTH AND DEVELOPMENT
OPERATING EFFECTIVENESS

Behind the specific events, decisions and actions which produce tangible results, must lie certain convictions about our business and about the way we approach the management job.

I feel a responsibility to share my convictions with you. The ideas presented here have to do with the economic and social universe that Ansul inhabits, with the factors we think important to our business and with the means that we have—and that you have—for evaluating performance. Hopefully they will give our shareholders, our employees and our other friends who receive this report a better insight into Ansul.

Every company operates within a highly complex climate; yet in the final analysis (as pointed out in our 1964 report), we believe that three fundamental factors determine what the company is and provide the backdrop against which business is conducted. These factors—*environment*, *objectives* and *organization*—might be viewed as the sides of a triangle. Because of their inter-relationship, when one element changes, the others change of necessity, just as the sides of a triangle.

Within this framework we have identified three basic areas of activity which determine the overall success of a company or the success of a particular division or a product. They are: *product development*, *manufacturing* and *marketing*. Again they can be portrayed as a triangle, because again they are intricately inter-related with each other. When a company fails, the failure can invariably be traced to an imbalance or a shortcoming in one of these areas.

A third conviction centers around the fact that effective evaluation is vital to efficient performance . . . and that the criteria used in evaluation are crucial. Through experience, we have identified the criteria for effective evaluation which management can handle and understand. They are: *return on investment*, *operating effectiveness* and *growth and development*. We find them valid in measuring total company performance, divisional performance, our own performance as managers and the individual performance of our people. It seems

to me that they are equally valid criteria for shareholders to use in evaluating their investment.

This is a very broad outline . . . and perhaps these ideas seem far removed from the day-to-day realities of operating a company. They aren't. They are very much a part of everything we do. Let me explain how I believe they relate to Ansul.

Our environment has been and will continue, we believe, to be characterized by a healthy economic climate. In 1965 unprecedented national prosperity helped Ansul—as it did most companies. However, another environmental factor—the rapid rate of change in the world today—has even greater implications for the future. The spectacular changes in technology have been abetted and made useable by the computer's capacity and ability to store and calculate information rapidly. This striking tool, long a hand maiden of science, is now being used to aid a management information and control system with great potential. We are using our computer in each of these important areas. This rapid rate of change has profoundly influenced our organization—the second element of the triangle.

Our organization—the way we structure our people and our functions to get the job done—is characterized primarily by *flexibility*. We recognize the fact that in today's fast-changing world, survival is dependent upon an ability to move quickly and to adapt readily to new and different conditions. In addition, our organization is carefully structured to place proper emphasis on the three basic functions that make the difference—product development, marketing and manufacturing.

Our objectives modify the organization . . . and to a certain extent the environment. In their simplest form our objectives cover what we believe, what we intend to achieve and how we plan to achieve it. Our reasons for being in business are summed up in this statement which hangs in our main lobby . . . and is as valid today as it was when written more than 20 years ago!

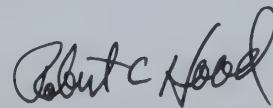
"The objective of our company and everyone of us here at Ansul is to manufacture and sell products useful

to our society and to receive an adequate return for them. We do this while working together in an atmosphere of friendship and appreciation of each man's importance."

We believe that people are the real competitive difference between companies, and we guide our actions and structure our organization accordingly. Each year we set specific goals, develop a carefully detailed plan with adequate provision for evaluation, replanning and re-evaluation as the year progresses. Our experience over the past years has given us confidence in the importance and the value of the process.

This is the way we see our business. What do we have to work with? Environment, organization, objectives! Where do we place emphasis? Marketing, manufacturing, product development! How do we measure results? Return on investment, operating effectiveness, growth and development.

Certainly this is an overly simplified view of a business. Yet the very simplicity enables us to focus attention on the factors that make the real difference. There is nothing as practical as a theory; nothing as powerful as an idea. We believe that judgments based on this theory and these ideas will, more than anything else, insure the continued growth and progress of Ansul in the years ahead.



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Jointly owned subsidiary of
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